

**REDMOND TOWN  
FINANCIAL STATEMENTS  
JUNE 30, 2006**

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# **Kimball & Roberts**

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*Richfield, Utah 84701*

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Town Council  
Redmond Town  
Redmond, Utah 84652

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Redmond Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Redmond Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

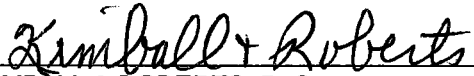
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Redmond Town as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of Redmond Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 14 and 43 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Town Council  
Redmond Town

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redmond Town's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of Redmond Town. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 21, 2006  
Richfield, Utah

**REDMOND TOWN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2006**

This discussion of Redmond Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, highways and public improvements, culture and recreation.

**Financial Highlights**

- \* The assets of the Town exceeded its liabilities as of the close of the most recent year by \$2,052,052 (net assets). Of this amount, \$476,061 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- \* The government's total net assets increased by \$77,313. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- \* At the close of the current year, the Town's governmental funds reported ending fund balance of \$452,345, an increase of \$87,373 in comparison with the prior year. Approximately 60 percent of this total amount, \$272,191 is available for spending at the government's discretion (unreserved fund balance).
- \* At the end of the current year, unreserved fund balance for the general fund was \$128,165, or 87 percent of total general fund expenditures.
- \* The Town's total debt decreased by \$42,665 during the current year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, highways and public improvements, and recreation and culture. The business-type activities of the Town are water and sewer operations, and sanitation services.

Refer to the table of contents for the location of the government-wide financial statements.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Redmond Town maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital project fund and nonmajor governmental fund; the cemetery perpetual care fund.

The Town adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary Funds**

Redmond Town maintains three proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

### **Proprietary Funds - continued.**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer and sanitation. Refer to the table of contents for the location of the basic proprietary fund financial statements.

## Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Redmond Town's, assets exceeded liabilities by \$2,052,052 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (66 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$476,061 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

#### Redmond Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	457,720	371,283	287,017	254,655	744,737	625,938
Capital Assets	367,051	393,341	1,415,629	1,473,205	1,782,680	1,866,546
Total Assets	824,771	764,624	1,702,646	1,727,860	2,527,417	2,492,484
Long-Term Liabilities	4,359	-	453,076	491,702	457,435	491,702
Other Liabilities	9,142	18,168	8,788	7,875	17,930	26,043
Total Liabilities	13,501	18,168	461,864	499,577	475,365	517,745
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	363,284	385,368	992,553	977,051	1,355,837	1,362,419
Restricted	180,154	142,154	40,000	40,000	220,154	182,154
Unrestricted	267,832	218,934	208,229	211,232	476,061	430,166
Total Net Assets	811,270	746,456	1,240,782	1,228,283	2,052,052	1,974,739

## Governmental Activities

Governmental activities increased Redmond Town's net assets by \$64,814.

### Redmond Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	36,471	27,001	191,267	185,317	227,738	212,318
Operating Grants	40,068	44,586	-	-	40,068	44,586
Capital Grants	-	-	-	-	-	-
General Revenues:						
Property Taxes	23,271	23,818	-	-	23,271	23,818
Other Taxes	131,884	100,174	-	-	131,884	100,174
Impact Fees	-	-	3,900	5,200	3,900	5,200
Unrestricted Investment Earnings	13,057	6,556	9,022	5,370	22,079	11,926
<b>Total Revenues</b>	<b>244,751</b>	<b>202,135</b>	<b>204,189</b>	<b>195,887</b>	<b>181,134</b>	<b>141,118</b>
<b>Expenses:</b>						
General Government	96,584	100,971	-	-	96,584	100,971
Highways and Public Improvements	49,441	46,605	-	-	49,441	46,605
Recreation and Culture	33,912	22,753	-	-	33,912	22,753
Water, Sewer & Sanitation	-	-	191,690	185,216	191,690	185,216
<b>Total Expenses</b>	<b>179,937</b>	<b>170,329</b>	<b>191,690</b>	<b>185,216</b>	<b>371,627</b>	<b>355,545</b>
<b>Increase in Net Assets   Before Transfers</b>	<b>64,814</b>	<b>31,806</b>	<b>12,499</b>	<b>10,671</b>	<b>(190,493)</b>	<b>(214,427)</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets</b>	<b>64,814</b>	<b>31,806</b>	<b>12,499</b>	<b>10,671</b>	<b>77,313</b>	<b>42,477</b>
<b>Net Assets - Beginning</b>	<b>746,456</b>	<b>714,650</b>	<b>1,228,283</b>	<b>1,217,612</b>	<b>1,974,739</b>	<b>1,932,262</b>
<b>Net Assets - Ending</b>	<b>811,270</b>	<b>746,456</b>	<b>1,240,782</b>	<b>1,228,283</b>	<b>2,052,052</b>	<b>1,974,739</b>

\* The Town received operating grants of \$40,068. Of this amount, \$39,762 was received for Class C roads.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.



## **Business-Type Activities**

Business-type activities increased the Town's net assets by \$12,499.

- \* For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.
- \* The depreciation in the enterprise decreased by \$424 compared to the prior year.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental funds reported combined ending fund balances of \$452,345, an increase of \$87,373 in comparison with the prior year. Approximately 60 percent of this amount, \$272,191, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and public improvements for \$129,000, and cemetery perpetual care of \$51,154.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance of \$128,165 represents 87 percent of total general fund expenditures, while total fund balance of \$257,165, represents 175 percent of that same amount.

### **Proprietary Funds**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water, sewer and sanitation funds at the end of the year was \$208,229. Other factors concerning the finances of these funds has already been addressed in the discussion of the Town's business-type activities.

### **General Fund Budgetary Highlights**

There was a difference between the original budget and the final budget. The increase was \$80,000. This was an increase in the budget for a transfer to the capital project fund for planned capital projects.

Actual revenues were less than budgeted revenues by \$41,699 and actual expenditures were less than budgeted expenditures by \$59,086 resulting in a net increase in fund balance of \$17,387.

## Capital Asset and Debt Administration

### Capital Assets

Redmond Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$367,051 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads, sidewalks and curb and gutter.

#### Redmond Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	22,036	22,036	20,780	20,780	42,816	42,816
Water Shares			20,138	20,138	20,138	20,138
Infrastructure	207,900	237,600	-	-	207,900	237,600
Buildings	79,813	84,238	-	-	79,813	84,238
Improvements Other than Buildings	34,704	31,500	1,374,711	1,432,287	1,409,415	1,463,787
Equipment	22,598	17,967	-	-	22,598	17,967
Total	367,051	393,341	1,415,629	1,473,205	1,782,680	1,866,546

Additional information on the Town's capital assets can be found in the notes to the financial statements.

### Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$453,076. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

#### Redmond Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue Bonds	-	-	\$453,076	\$491,702	\$453,076	\$491,702

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

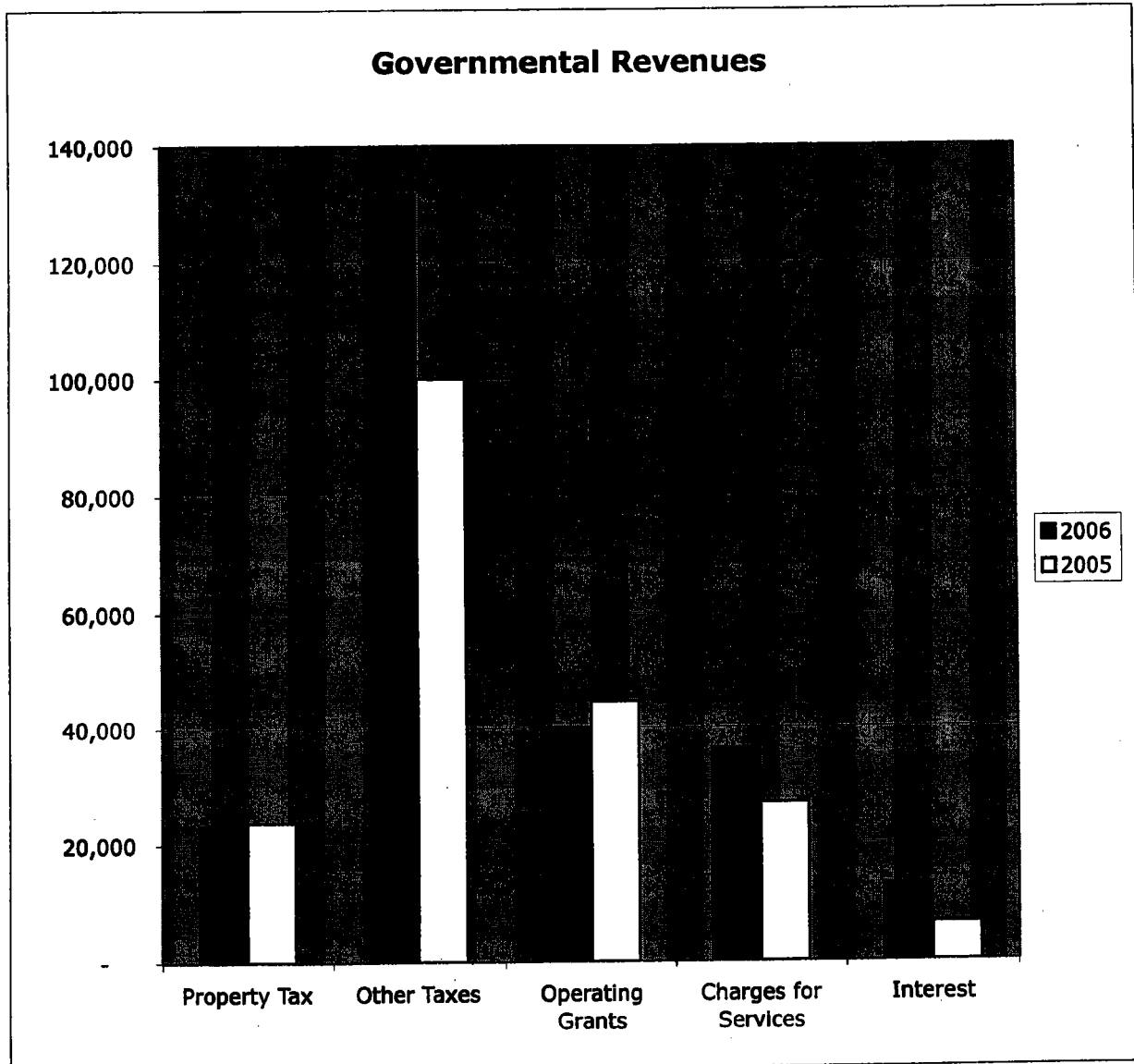
Additional information on Redmond Town's long-term debt can be found in the notes of the financial statements.

### Request for Information

This financial report is designed to provide a general overview of Redmond Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Redmond Town Clerk, P.O. Box 117, Redmond, Utah, 84652-0117.

**Redmond Town**  
**Governmental Revenues**  
**For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Property Tax	23,271	23,818
Other Taxes	131,884	100,174
Operating Grants	40,068	44,586
Charges for Services	36,471	27,001
Interest	13,057	6,556
<b>Total Revenues</b>	<b>244,751</b>	<b>202,135</b>

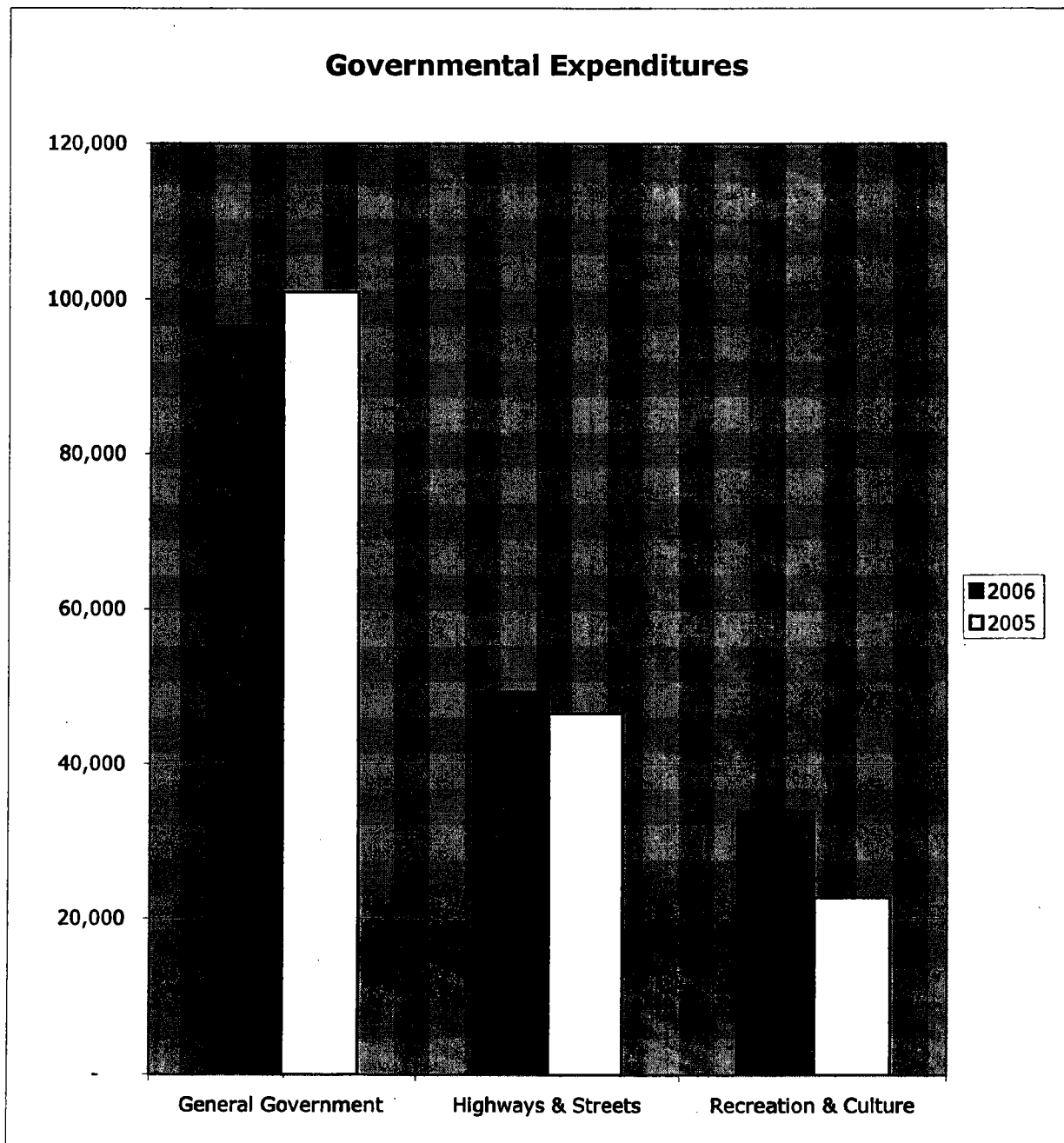


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**Redmond Town**  
**Governmental Expenditures**  
**For The Fiscal Years Ending June 30, 2006 and 2005**

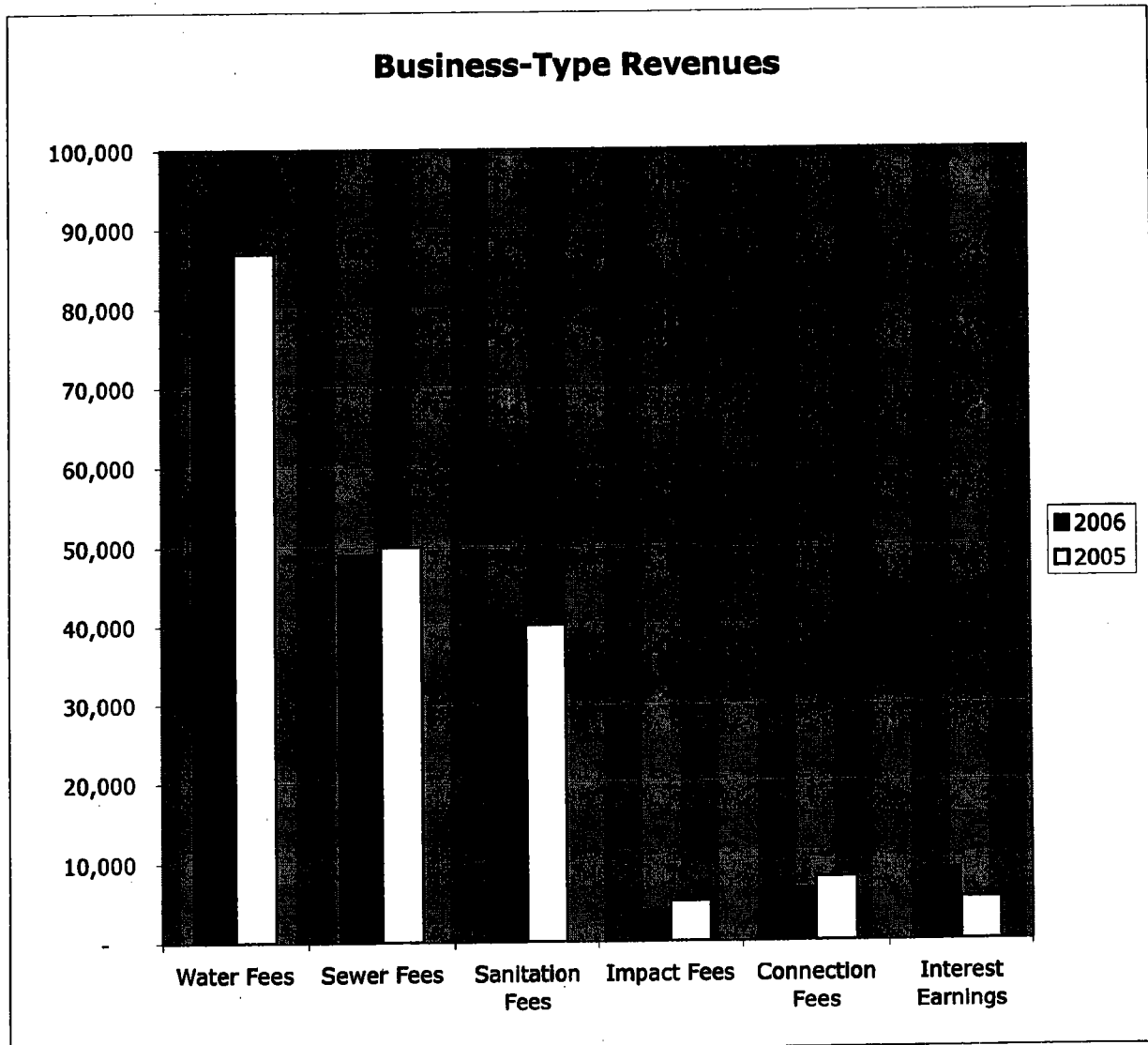
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	2006	2005
General Government	96,584	100,971
Highways & Streets	49,441	46,605
Recreation & Culture	33,912	22,753
Total Expenditures	179,937	170,329



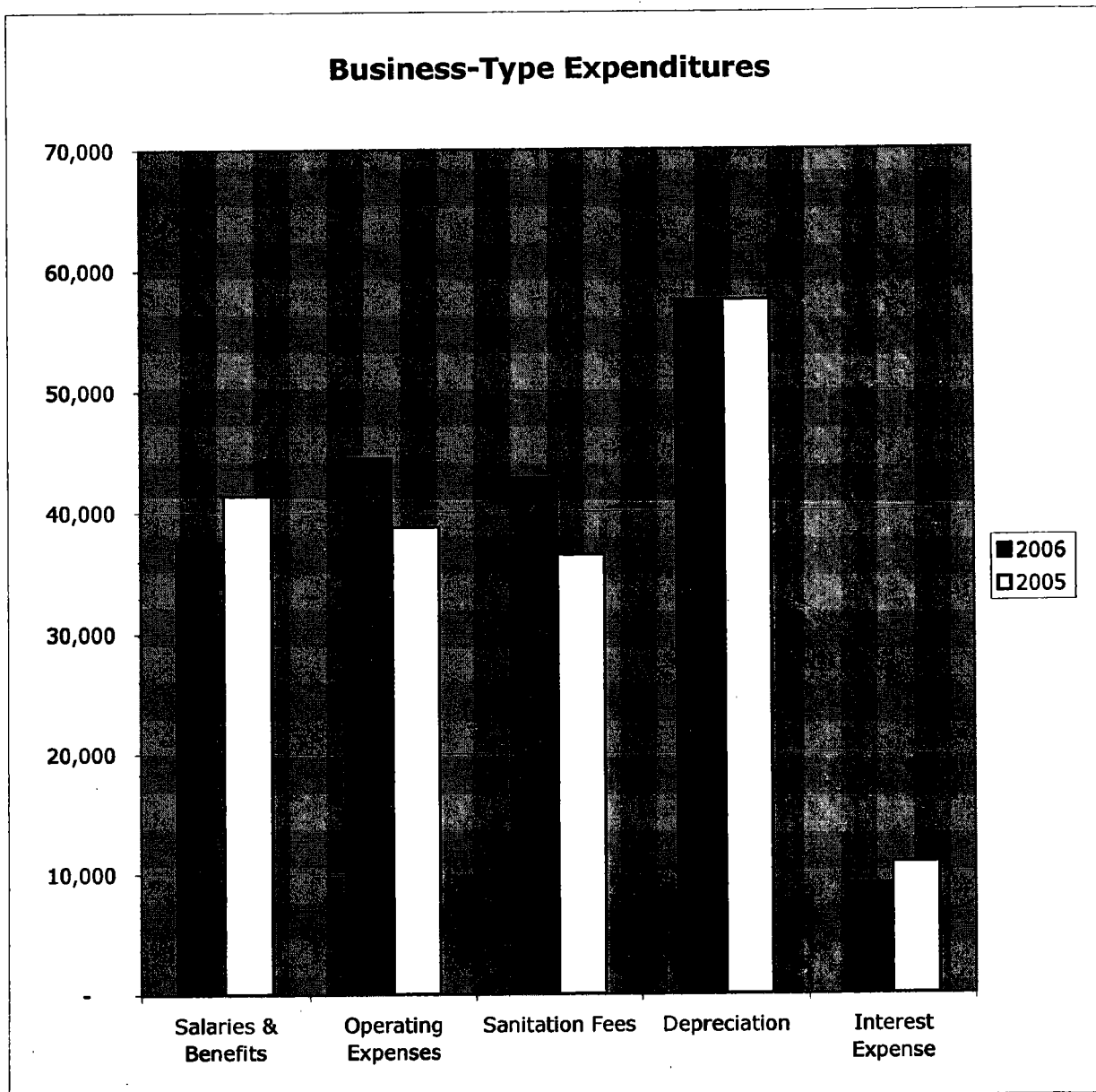
**Redmond Town**  
**Business-Type Revenues**  
**For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Water Fees	94,426	86,981
Sewer Fees	49,166	50,082
Sanitation Fees	40,975	40,154
Impact Fees	3,900	5,200
Connection Fees	6,700	8,100
Interest Earnings	9,022	5,370
<b>Total Revenues</b>	<b>204,189</b>	<b>195,887</b>



**Redmond Town**  
**Business Type Expenditures**  
**For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Salaries & Benefits	37,573	41,417
Operating Expenses	44,515	38,774
Sanitation Fees	42,841	36,486
Depreciation	57,575	57,580
Interest Expense	9,186	10,959
Total Expenditures	191,690	185,216



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# **BASIC FINANCIAL STATEMENTS**

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**REDMOND TOWN  
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	449,291	208,956	658,247
Accounts Receivable (Net)	-	38,061	38,061
Due From Other Government Units	8,429	-	8,429
Total Current Assets	457,720	247,017	704,737
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	40,000	40,000
Capital Assets (Net of Accumulated Depreciation):			
Land	22,036	20,780	42,816
Water Shares	-	20,138	20,138
Buildings	79,813	-	79,813
Improvements Other Than Buildings	34,704	1,374,711	1,409,415
Equipment	22,598	-	22,598
Infrastructure	207,900	-	207,900
Total Noncurrent Assets	367,051	1,455,629	1,822,680
TOTAL ASSETS	824,771	1,702,646	2,527,417
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	5,375	4,653	10,028
Accrued Interest Payable	-	4,135	4,135
Loans Payable - Due Within One Year	3,767	-	3,767
Revenue Bonds Payable - Due Within One Year	-	39,364	39,364
Total Current Liabilities	9,142	48,152	57,294
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	413,712	413,712
Compensated Absences	4,359	-	4,359
Total Noncurrent Liabilities	4,359	413,712	418,071
TOTAL LIABILITIES	13,501	461,864	475,365
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Debt	363,284	992,553	1,355,837
Restricted For:			
Bond Retirement	-	40,000	40,000
Class C Road	129,000	-	129,000
Cemetery Perpetual Care	51,154	-	51,154
Unrestricted	267,832	208,229	476,061
TOTAL NET ASSETS	811,270	1,240,782	2,052,052
TOTAL LIABILITIES AND NET ASSETS	824,771	1,702,646	2,527,417

The notes to the financial statements are an integral part of this statement.



**REDMOND TOWN  
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Governmental Activities	Business-Type Activities
<b>Governmental Activities:</b>						
General Government	96,584	30,596	306	-	(65,682)	-
Highways and Public Improvements	49,441	-	39,762	-	(9,679)	-
Recreation and Cemetery	33,912	5,875	-	-	(28,037)	-
Interest Expense	-	-	-	-	-	(9,186)
Total Governmental Activities	179,937	36,471	40,068	-	(103,398)	(9,186)
<b>Business-Type Activities:</b>						
Water	69,924	96,626	-	-	-	26,702
Sewer	69,739	53,666	-	-	-	(16,073)
Sanitation	42,841	40,975	-	-	-	(1,866)
Total Business-Type Activities	182,504	191,267	-	-	-	8,763
Total Primary Government	362,441	227,738	40,068	-	(103,398)	(423)
<b>General Revenues:</b>						
Property Taxes					23,271	-
Fee-In-Lieu of Property Taxes					11,380	-
Sales Taxes					96,459	-
Franchise Taxes					24,045	-
Impact Fees					-	3,900
Unrestricted Investment Earnings					13,057	9,022
Total General Revenues					168,212	12,922
Change in Net Assets					64,814	12,499
Net Assets - Beginning					746,456	1,228,283
Net Assets - Ending					811,270	1,240,782

The notes to the financial statements are an integral part of this statement.

**REDMOND TOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

	General Fund	Capital Projects Fund	Nonmajor Perpetual Care Permanent Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	254,111	144,026	51,154	449,291
Due From Other Government Units	<u>8,429</u>	<u>-</u>	<u>-</u>	<u>8,429</u>
<b>TOTAL ASSETS</b>	<u><u>262,540</u></u>	<u><u>144,026</u></u>	<u><u>51,154</u></u>	<u><u>457,720</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	<u>5,375</u>	<u>-</u>	<u>-</u>	<u>5,375</u>
<b>Total Liabilities</b>	<u><u>5,375</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5,375</u></u>
<b>Fund Balances:</b>				
Reserved For:				
Class C Road	129,000	-	-	129,000
Perpetual Care	-	-	51,154	51,154
Unreserved, Reported In:				
General Fund	128,165	-	-	128,165
Capital Projects Fund	<u>-</u>	<u>144,026</u>	<u>-</u>	<u>144,026</u>
<b>Total Fund Balance</b>	<u><u>257,165</u></u>	<u><u>144,026</u></u>	<u><u>51,154</u></u>	<u><u>452,345</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>262,540</u></u>	<u><u>144,026</u></u>	<u><u>51,154</u></u>	<u><u>457,720</u></u>

The notes to the financial statements are an integral part of this statement.

**REDMOND TOWN**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2006**

Total Fund Balances - Governmental Fund Types	452,345
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	22,036	
Buildings	79,813	
Improvements	34,704	
Equipment	22,598	
Infrastructure	<u>207,900</u>	

Total		367,051
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Loans Payable	(3,767)	
Compensated Absences	<u>(4,359)</u>	

Total		<u>(8,126)</u>
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Net Assets of Government Activities	<u><u>811,270</u></u>
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**REDMOND TOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2006**

	General Fund	Capital Projects Fund	Nonmajor Perpetual Care Permanent Fund	Total Governmental Funds
<b>Revenues:</b>				
Taxes	155,155	-	-	155,155
Licenses and Permits	10,871	-	-	10,871
Intergovernmental Revenue	40,068	-	-	40,068
Charges for Services	5,875	-	-	5,875
Interest	13,057	-	-	13,057
Miscellaneous Revenues	19,725	-	-	19,725
<b>Total Revenues</b>	<b>244,751</b>	<b>-</b>	<b>-</b>	<b>244,751</b>
<b>Expenditures:</b>				
Current:				
General Government	99,315	-	-	99,315
Highways and Public Improvements	14,608	-	-	14,608
Recreation and Cemetery	28,137	-	-	28,137
Capital Outlay	5,304	10,014	-	15,318
<b>Total Expenditures</b>	<b>147,364</b>	<b>10,014</b>	<b>-</b>	<b>157,378</b>
<b>Excess Revenues Over (Under) Expenditures</b>	<b>97,387</b>	<b>(10,014)</b>	<b>-</b>	<b>87,373</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In (Out)	(80,000)	80,000	-	-
<b>Total Other Financing</b>	<b>(80,000)</b>	<b>80,000</b>	<b>-</b>	<b>-</b>
<b>Net Change In Fund Balance</b>	<b>17,387</b>	<b>69,986</b>	<b>-</b>	<b>87,373</b>
<b>Fund Balance - Beginning</b>	<b>239,778</b>	<b>74,040</b>	<b>51,154</b>	<b>364,972</b>
<b>Fund Balance - Ending</b>	<b>257,165</b>	<b>144,026</b>	<b>51,154</b>	<b>452,345</b>

The notes to the financial statements are an integral part of this statement.

**REDMOND TOWN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities  
are different because:

Net Changes in Fund Balances - Total Governmental Funds	87,373
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Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense. This is the  
amount by which depreciation exceeded capital outlays in the current period:

Depreciation Expense	(41,608)	
Capital Outlay	<u>15,318</u>	
Total		(26,290)

The issuance of long-term debt (e.g., bonds, leases) provide current financial  
resources to governmental funds, while the repayment of the principal of  
long-term debt consumes the current financial resources of governmental  
funds. Neither transaction, however, has any effect on net assets. This  
amount is the net effect of these differences in the treatment of long-term  
debt and related items:

Payment on Long-Term Debt	4,206
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Some expenses reported in the statement of activities do not require the use  
of current financial resources and, therefore, are not reported as expenditures  
in governmental funds:

Compensated Absences	<u>(475)</u>
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Changes In Net Assets of Governmental Activities	<u><u>64,814</u></u>
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**REDMOND TOWN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund			
	Water	Sewer	Sanitation	Totals
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	171,401	27,798	9,757	208,956
Accounts Receivable (Net)	21,369	9,087	7,605	38,061
Total Current Assets	192,770	36,885	17,362	247,017
Noncurrent Assets:				
Investments - Restricted:				
Bond Retirement	40,000	-	-	40,000
Capital Assets: (Net of Accum. Depr.)				
Land	-	20,780	-	20,780
Water Stock	20,138	-	-	20,138
Water Distribution System	644,137	-	-	644,137
Sewer and Drainage System	-	554,123	-	554,123
Culinary Water System	176,451	-	-	176,451
Total Noncurrent Assets	880,726	574,903	-	1,455,629
TOTAL ASSETS	1,073,496	611,788	17,362	1,702,646
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	991	118	3,544	4,653
Bond Interest Payable	4,135	-	-	4,135
Bonds Payable - Current Portion	39,364	-	-	39,364
Total Current Liabilities	44,490	118	3,544	48,152
Noncurrent Liabilities:				
Bonds Payable - Long-Term Portion	413,712	-	-	413,712
TOTAL LIABILITIES	458,202	118	3,544	461,864
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	417,650	574,903	-	992,553
Restricted for Bonded Retirement	40,000	-	-	40,000
Unrestricted	157,644	36,767	13,818	208,229
TOTAL NET ASSETS	615,294	611,670	13,818	1,240,782
TOTAL LIABILITIES AND NET ASSETS	1,073,496	611,670	17,362	1,702,646

The notes to the financial statements are an integral part of this statement.

**REDMOND TOWN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund			
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Totals</u>
<b>Operating Revenues:</b>				
Charges for Sales and Services:				
Charges for Services	94,426	49,166	40,975	184,567
Connection Fees	2,200	4,500	-	6,700
Total Operating Revenues	<u>96,626</u>	<u>53,666</u>	<u>40,975</u>	<u>191,267</u>
<b>Operating Expenses:</b>				
Salaries	18,356	16,547	-	34,903
Fringe Benefits	1,404	1,266	-	2,670
Materials and Supplies	5,817	18,722	-	24,539
Utilities	11,175	3,275	-	14,450
Garbage Collection Fee	-	-	42,841	42,841
Other	5,346	180	-	5,526
Depreciation	27,826	29,749	-	57,575
Total Operating Expenses	<u>69,924</u>	<u>69,739</u>	<u>42,841</u>	<u>182,504</u>
Operating Income	<u>26,702</u>	<u>(16,073)</u>	<u>(1,866)</u>	<u>8,763</u>
<b>Nonoperating Revenues (Expenses):</b>				
Investment Earnings	5,921	3,101	-	9,022
Impact Fees	3,900	-	-	3,900
Interest Expense	(9,186)	-	-	(9,186)
Total Nonoperating Revenues (Expenses)	<u>635</u>	<u>3,101</u>	<u>-</u>	<u>3,736</u>
Change in Net Assets	27,337	(12,972)	(1,866)	12,499
Total Net Assets - Beginning	<u>587,957</u>	<u>624,642</u>	<u>15,684</u>	<u>1,228,283</u>
Total Net Assets - Ending	<u>615,294</u>	<u>611,670</u>	<u>13,818</u>	<u>1,240,782</u>

The notes to the financial statements are an integral part of this statement.

**REDMOND TOWN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Fund			
	Water	Sewer	Sanitation	Totals
<b>Cash Flows From Operating Activities:</b>				
Receipts From Customers	92,734	54,515	41,537	188,786
Payments to Suppliers	(21,386)	(22,058)	(42,683)	(86,127)
Payments to Employees	(19,760)	(17,813)	-	(37,573)
Net Cash Provided by Operating Activities	51,588	14,644	(1,146)	65,086
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Impact Fee Collections	3,900	-	-	3,900
Principal Paid on Capital Debt	(38,626)	-	-	(38,626)
Interest Paid on Capital Debt	(9,501)	-	-	(9,501)
Net Cash Provided (Used) by Capital and Related Financing Activities	(44,227)	-	-	(44,227)
<b>Cash Flows from Investing Activities:</b>				
Interest Received	5,921	3,101	-	9,022
Net Increase (Decrease) in Cash and Cash Equivalents	13,282	17,745	(1,146)	29,881
Cash and Cash Equivalents - Beginning	198,119	10,053	10,903	219,075
Cash and Cash Equivalents - Ending	211,401	27,798	9,757	248,956
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>				
Operating Income	26,702	(16,073)	(1,866)	8,763
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:				
Depreciation	27,826	29,749	-	57,575
Increase (Decrease) in Operating Assets:				
Accounts Receivable	(3,892)	850	562	(2,480)
Accounts Payable	952	118	158	1,228
Total Adjustments	24,886	30,717	720	56,323
Net Cash Provided (Used) by Operating Activities	51,588	14,644	(1,146)	65,086

The notes to the financial statements are an integral part of this statement.



**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Redmond Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Redmond Town is a municipal corporation in Sevier County, Utah. It is governed by an elected Mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Redmond Town, the reporting entity. The Town has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Redmond Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund accounts for revenue sources that are restricted to expenditures for specific purposes.

The Government also reports the following Other Governmental Funds:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the City water, sewer and sanitation operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer and sanitation funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings	30 Years
Equipment	5 Years
Water and Sewer Systems	40 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES**

**F. Property Taxes**

Property taxes are assessed and collected for the Town by Millard County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**G. Budgets and Budgetary Accounting:**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Holden Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of the pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

**Deposits:**

At year end, the carrying amount of the Town's deposits was \$106,187 and the bank balance was \$116,759. Of the bank balance \$100,000 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	106,187
Investment - PTIF	<u>592,060</u>
Total Cash and Investments	<u><u>698,247</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities	449,291
Business-Type Activities - Unrestricted	208,956
Business-Type Activities - Restricted	<u>40,000</u>
Total Cash and Cash Equivalents	<u><u>698,247</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

**Custodial Credit Risk:**

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$16,759 of the local government's bank balances of \$116,759 were uninsured and uncollateralized.

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Continued

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk:**

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$592,060 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Concentration of Credit Risk:**

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**NOTE 3 - WATER SHARES**

The Utility Fund has water shares which are shown on the balance sheet at a cost of \$20,138. The current value of the water shares is in excess of the cost.



**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Continued

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	15,700	-	-	15,700
Land Related to Infrastructure	<u>6,336</u>	<u>-</u>	<u>-</u>	<u>6,336</u>
 Total Capital Assets Not Being Depreciated	 <u>22,036</u>	 <u>-</u>	 <u>-</u>	 <u>22,036</u>
Capital Assets Being Depreciated:				
Buildings	151,900	-	-	151,900
Improvements Other Than Bldgs	62,000	5,304	-	67,304
Machinery and Equipment	65,500	10,014	-	75,514
Infrastructure	<u>646,800</u>	<u>-</u>	<u>-</u>	<u>646,800</u>
 Total Capital Assets Being Depreciated	 <u>926,200</u>	 <u>15,318</u>	 <u>-</u>	 <u>941,518</u>
Less Accumulated Depreciation For:				
Buildings	67,662	4,425	-	72,087
Improvements Other Than Bldgs	30,500	2,100	-	32,600
Machinery and Equipment	47,533	5,383	-	52,916
Infrastructure	<u>409,200</u>	<u>29,700</u>	<u>-</u>	<u>438,900</u>
 Total Accumulated Depreciation	 <u>554,895</u>	 <u>41,608</u>	 <u>-</u>	 <u>596,503</u>
 Total Capital Assets Being Depreciated (Net)	 <u>371,305</u>	 <u>(26,290)</u>	 <u>-</u>	 <u>345,015</u>
 Governmental Activities Capital Assets, Net	 <u>393,341</u>	 <u>(26,290)</u>	 <u>-</u>	 <u>367,051</u>

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Continued

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	20,780	-	-	20,780
Water Stock	<u>20,138</u>	<u>-</u>	<u>-</u>	<u>20,138</u>
 Total Capital Assets Not Being Depreciated	 <u>40,918</u>	 <u>-</u>	 <u>-</u>	 <u>40,918</u>
 Capital Assets Being Depreciated:				
Equipment	9,440	-	-	9,440
Utility Systems	<u>2,341,994</u>	<u>-</u>	<u>-</u>	<u>2,341,994</u>
 Total Capital Assets Being Depreciated	 <u>2,351,434</u>	 <u>-</u>	 <u>-</u>	 <u>2,351,434</u>
 Less Accumulated Depreciation For:				
Equipment	10,296	(856)	-	9,440
Utility Systems	<u>908,851</u>	<u>58,432</u>	<u>-</u>	<u>967,283</u>
 Total Accumulated Depreciation	 <u>919,147</u>	 <u>57,576</u>	 <u>-</u>	 <u>976,723</u>
 Total Capital Assets Being Depreciated (Net)	 <u>1,432,287</u>	 <u>(57,576)</u>	 <u>-</u>	 <u>1,374,711</u>
 Business Type Activities Capital Assets, Net	 <u>1,473,205</u>	 <u>(57,576)</u>	 <u>-</u>	 <u>1,415,629</u>
 Total Capital Assets	 <u><u>1,866,546</u></u>	 <u><u>(83,866)</u></u>	 <u><u>-</u></u>	 <u><u>1,782,680</u></u>

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Continued

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,000	-	1,000
Public Health	-	57,576	57,576
Highways and Public Improvements	34,833	-	34,833
Parks and Recreation	5,775	-	5,775
Total Depreciation Expense	<u>41,608</u>	<u>57,576</u>	<u>99,184</u>

**NOTE 5 - LONG-TERM DEBT**

Utility Long-Term Debt

**Parity Water Revenue Bond, Series 1987:**

On October 7, 1987 Redmond Town obtained a \$240,500 Parity Water Revenue Bond from Utah Safe Drinking Water Committee for the purpose of constructing a 150,000 gallon culinary water storage reservoir, drilling and developing a new well, upgrading, modernizing and extending the culinary water system of Redmond, together with all related work and improvements, the acquisition of necessary land and easements and in all other respects to pay the cost of the foregoing including engineering and expenses and costs of issuance of the bonds.

The bond shall be a single, fully registered bond leaving interest at the rate of two (2%) percent per annum and payable in 20 annual installments commencing on January 1, 1989 in the amount of \$15,758.

The following is a summary of debt service charges to maturity for the Parity Water Revenue Bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1, 2007	15,364	394	15,758
January 1, 2008	<u>3,545</u>	<u>87</u>	<u>3,632</u>
Total	<u>18,909</u>	<u>481</u>	<u>19,390</u>

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Continued

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

**Parity Water Revenue Bond, Series 1998:**

During 1998, the Town obtained a \$643,000 Parity Water Revenue Bond from the Utah Board of Water Resources for the purpose of improving its culinary water system by drilling and equipping a well, constructing a 500,000 gallon storage tank, installing about two and one-half miles of transmission and distribution pipeline, and adding service connections and fire hydrants. The bond is a fully registered bond bearing interest at the rate of 2% per annum and payable in 20 annual installments commencing on January 1, 2000.

The following is a summary of debt service charges to maturity for the revenue bond:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1:			
2007	24,000	8,380	32,380
2008	25,000	7,900	32,900
2009	26,000	7,400	33,400
2010	41,000	6,880	47,880
2011	43,000	6,060	49,060
2012/2016	234,000	16,940	250,940
2017/2021	<u>26,167</u>	<u>520</u>	<u>26,687</u>
 Total	 <u>419,167</u>	 <u>54,080</u>	 <u>473,247</u>
 Total Parity Bonds	 <u><u>438,076</u></u>	 <u><u>54,561</u></u>	 <u><u>492,637</u></u>

**Subordinated Water Revenue Bond, 1988:**

On August 22, 1988, the Utah Save Drinking Water Committee loaned Redmond Town an additional \$15,000 to complete the culinary water system. The proceeds were delivered to Zions First National Bank Escrow Account. The \$15,000 is due January 1, 2009.

	<u>Principal</u>
January 1, 2009	<u><u>15,000</u></u>

REDMOND TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
Continued

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

The following is a schedule of changes in Utility Long-Term Debt:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Parity Water Revenue Bonds Series 1987	1987	2%	240,500	34,535	-	15,626	18,909
Parity Water Revenue Bonds Series 1998	1998	2%	643,000	442,167	-	23,000	419,167
Subordinated Water Revenue Bonds	1988	2%	15,000	15,000	-	-	15,000
Total			898,500	491,702	-	38,626	453,076

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Continued

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

The following is a summary of total Utility Long-Term Debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
January 1:			
2007	39,364	8,774	48,138
2008	28,545	7,987	36,532
2009	26,000	7,400	33,400
2010	56,000	6,880	62,880
2011	43,000	6,060	49,060
2012/2016	234,000	16,940	250,940
2017/2021	<u>26,167</u>	<u>520</u>	<u>26,687</u>
Total	<u>453,076</u>	<u>54,561</u>	<u>507,637</u>

**Governmental Long-Term Debt**

**Loans Payable:**

During the 2002/2003 fiscal year the Town borrowed \$20,500 from Utah Independent Bank for the purchase of a 2002 GMC Truck. The terms of the loan call for yearly payments of \$4,640 including interest at 5%. The principal payments are due February 20th of each year. The balance at June 30, 2006, was \$3,767.

The following is a summary of total debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
February 20:			
2007	<u>3,767</u>	<u>187</u>	<u>3,954</u>
Total	<u>3,767</u>	<u>187</u>	<u>3,954</u>

The following is a statement of changes in notes payable in Governmental Long-Term Debt:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Utah Independent Bank	<u>7,806</u>	<u>-</u>	<u>4,039</u>	<u>3,767</u>

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
Continued

**NOTE 5 - LONG-TERM DEBT (CONTINUED)**

**Compensated Absences:**

Compensated absences of Redmond Town in General Long-Term Debt account group represents accrued vacation at June 30, 2006, in the amount of \$4,359. The following is a statement of changes in compensated absences:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Compensated Absences	<u>3,884</u>	<u>475</u>	<u>-</u>	<u>4,359</u>

**NOTE 6 - CLASS "C" ROADS**

The following is a schedule of receipts and disbursements in Class "C" Roads:

Fund Balance - Beginning of Year	<u>91,000</u>
Receipts:	
State of Utah	39,762
Interest	<u>9,401</u>
Total Receipts	<u>49,163</u>
Disbursements:	
Construction and Maintenance	<u>(11,163)</u>
Fund Balance - End of Year	<u>129,000</u>

**NOTE 7 - PERPETUAL CARE FUND**

The following is a schedule of receipts and disbursements in the Cemetery Perpetual Care Fund:

Fund Balance - Beginning of Year	51,154
Receipts	-
Disbursements	<u>-</u>
Fund Balance - End of Year	<u>51,154</u>

**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 8 - TRANSFERS**

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	-	80,000
Capital Projects	<u>80,000</u>	<u>-</u>
	<u>80,000</u>	<u>80,000</u>

Transfers were made for the following purposes:

- \* The General Fund transferred \$80,000 to the Capital Projects Fund for future capital outlays.

**NOTE 9 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust. The insurance coverages are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

**Liability:**

The Town is insured for \$2,000,000 combined single limit with no deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage, \$2,000,000 aggregate each policy period with no deductible.

**Automobile Liability:**

The Town is insured for automobile bodily injury for \$2,000,000 combined single limit per accident with no deductible each accident. Property damage \$2,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

**Property:**

All of the property coverage is brokered and written through the Utah Local Government Trust. Buildings and equipment are covered based on replacement costs subject to a \$1,000 deductible.

**Workers Compensation:**

This coverage is provided through the Utah Local Government Trust.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.



**REDMOND TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**Continued**

**NOTE 10 - STATE RETIREMENT PLANS**

**Local Governmental - Cost Sharing:**

**Plan Description:**

Redmond Town contributes to the Local Governmental Noncontributory Retirement System which is a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The System provides retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that included financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:**

Redmond Town is required to contribute a percent of covered salary to the following system; 11.09% to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Redmond Town contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Noncontributory System, \$6,087.55, \$5,384.19 and \$4,904.23. The contributions were equal to the required contributions for each year.

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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**REDMOND TOWN**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**For The Fiscal Year Ended June 30, 2006**

**Budgetary Comparison Schedules:**

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

**Budgeting and Budgetary Control:**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations:**

For the year ended June 30, 2006, spending for all funds and departments of the Town were within the approved budgets.

**REDMOND TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>Taxes:</b>				
General Property Taxes	23,000	23,000	21,190	(1,810)
Prior Years Taxes	1,500	1,500	2,081	581
Fee-In-Lieu	9,500	9,500	11,380	1,880
General Sales and Use Taxes	75,000	75,000	96,459	21,459
Franchise Taxes	8,500	8,500	24,045	15,545
<b>Total Taxes</b>	<b>117,500</b>	<b>117,500</b>	<b>155,155</b>	<b>37,655</b>
<b>Licenses and Permits:</b>				
Business Licenses	1,500	1,500	1,312	(188)
Animal Licenses	1,500	1,500	1,731	231
Building Permits	4,500	4,500	7,828	3,328
<b>Total Licenses and Permits</b>	<b>7,500</b>	<b>7,500</b>	<b>10,871</b>	<b>3,371</b>
<b>Intergovernmental Revenue:</b>				
Class C Road	43,000	43,000	39,762	(3,238)
State Liquor Allotment	250	250	306	56
<b>Total Intergovernmental Revenue</b>	<b>43,250</b>	<b>43,250</b>	<b>40,068</b>	<b>(3,182)</b>
<b>Charges for Services:</b>				
Cemetery	5,100	5,100	5,855	755
Fines and Forfeitures	-	-	20	20
<b>Total Charges for Services</b>	<b>5,100</b>	<b>5,100</b>	<b>5,875</b>	<b>775</b>
<b>Miscellaneous Revenue:</b>				
Interest	1,100	1,100	13,057	11,957
Rents and Concessions	9,000	2,000	1,003	(997)
Activities	-	7,000	3,056	(3,944)
Miscellaneous	3,000	3,000	15,666	12,666
Use of Fund Balance	20,000	100,000	-	(100,000)
<b>Total Miscellaneous Revenue</b>	<b>33,100</b>	<b>113,100</b>	<b>32,782</b>	<b>(80,318)</b>
<b>Total Revenues</b>	<b>206,450</b>	<b>286,450</b>	<b>244,751</b>	<b>(41,699)</b>

**REDMOND TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
General Government:				
Salaries and Benefits	-	58,000	57,706	294
Administration	83,000	24,500	24,090	410
Utilities	-	8,000	7,902	98
Professional	3,000	6,000	5,564	436
Other	900	4,200	4,053	147
Total General Government	<u>86,900</u>	<u>100,700</u>	<u>99,315</u>	<u>1,385</u>
Highway and Public Improvements:				
Class C Roads	60,000	42,200	11,163	31,037
Repairs and Maintenance	<u>7,139</u>	<u>7,139</u>	<u>3,445</u>	<u>3,694</u>
Total Highways and Public Improvements	<u>67,139</u>	<u>49,339</u>	<u>14,608</u>	<u>34,731</u>
Health and Welfare	<u>1,000</u>	<u>1,500</u>	<u>832</u>	<u>668</u>
Culture and Recreation:				
Parks	2,000	6,000	5,582	418
Recreation	19,500	19,500	18,671	829
Cemetery	<u>9,411</u>	<u>9,411</u>	<u>3,052</u>	<u>6,359</u>
Total Culture and Recreation	<u>30,911</u>	<u>34,911</u>	<u>27,305</u>	<u>7,606</u>
Community and Economic Development	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay	<u>5,000</u>	<u>20,000</u>	<u>5,304</u>	<u>14,696</u>
Nondepartmental:				
Transfer to Capital Projects Fund	<u>15,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Total Charges to Appropriations	<u>206,450</u>	<u>286,450</u>	<u>227,364</u>	<u>59,086</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>17,387</u>	<u>17,387</u>
Fund Balance - Beginning			<u>239,778</u>	
Fund Balance - Ending			<u>257,165</u>	

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**OTHER SUPPLEMENTARY  
INFORMATION**

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**REDMOND TOWN  
SCHEDULE OF IMPACT FEES**

**For The Fiscal Year Ended June 30, 2006**

**IMPACT FEES - WATER**

Effective September 1, 1997, the Town adopted an impact fee ordinance for Water as follows:

Except as provided in the ordinance and any amendment to the ordinance the Town shall impose impact fees as a condition of approval of all new development projects. No tentative or final subdivision map, parcel map, grading permit, building permit, final inspection, or certificate of occupancy, or other development permit, may be approved unless the impact fee has been imposed.

Until and unless modified by a subsequent resolution by the Town council, an impact fee of \$1,300 shall be imposed with respect to any new development to be connected to the

The Town is required to place these impact fees into a separate interest bearing account and may expend these funds only on capital improvements, retiring debt for the system, or other expenditures as allowed by law.

These funds must be expended within six years from receipt or the funds must be returned with interest to the payer.

At June 30, 2006, impact fees of \$36,400 had been collected and interest earned was \$2,699. Expenditures during the year were \$4,197. Balance at year end was \$0.



**REDMOND TOWN  
SCHEDULE OF IMPACT FEES (CONTINUED)**

**For The Fiscal Year Ended June 30, 2006**

<u>Fiscal Year</u>	<u>Impact Fee</u>	<u>Interest Earned</u>	<u>Project</u>	<u>Amount Expended</u>	<u>Balance</u>
1997-1998	1,300	10		-	1,310
1998-1999	6,500	40		-	7,850
1999-2000	6,500	1,805		-	16,155
2000-2001	3,900	215	Water Debt Payment.	18,900	1,370
2001-2002	1,300	60		-	2,730
2002-2003	2,600	80	Water Debt Payment.	5,000	710
2003-2004	5,200	30	Water Debt Payment.	5,640	-
2004-2005	5,200	162	Water Debt Payment.	5,362	-
2005-2006	<u>3,900</u>	<u>297</u>	Water Debt Payment.	<u>4,197</u>	-
	<u>36,400</u>	<u>2,699</u>		<u>39,099</u>	

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## **COMPLIANCE SECTION**

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# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Board  
Redmond Town  
Redmond, Utah 84652

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Redmond Town as and for the year ended June 30, 2006, which collectively comprise Redmond Town's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

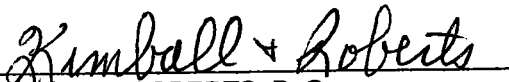
In planning and performing our audit, we considered Redmond Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redmond Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and Town Board  
Redmond Town  
Page -2-

This report is intended solely for the information and use of management and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 21, 2006  
Richfield, Utah

# *Kimball & Roberts*

*Certified Public Accountants*

*A Professional Corporation*

*Box 663*

*Richfield, Utah 84701*

*Phone 896-6488*

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council  
Redmond Town  
Redmond, Utah 84652

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Redmond Town, for the fiscal year ended June 30, 2006, and have issued our report thereon dated December 21, 2006. As part of our audit, we have audited Redmond Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

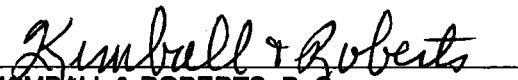
The management of Redmond Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit disclosed no instances of noncompliance with the requirements referred to above.

Honorable Mayor and Town Council  
Redmond Town  
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In our opinion, Redmond Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2006.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

December 21, 2006  
Richfield, Utah